



Newsletter

IN THIS ISSUE

Stewart Honored at NCHELP Spring Convention	1
Kentucky Educational Excellence Scholarship (KEES) Update	2
KHEAA Origination Services Now Accepts PLUS Loan Credit Pre-Approval Requests by Phone	3
Early Childhood Development Scholarship	4
<i>Common Manual</i> Updates	4
Interest Rate Calculations for July 1, 2000–June 30, 2001	5
KHEAA Publications to be Distributed in August	6
KHEAA Default Aversion Assistance Time Frames ...	7
Student Loans	7
Online Disbursement Maintenance Processing for Lenders	7
Master Promissory Note (MPN) Required for Stafford Loan Processing	7
Common Account Maintenance and Lender Manifest Reporting	8
Kentucky Education Savings Plan Trust	8
Commonwealth Prepaid Tuition Trust Fund	8
State Grants	9
KHEAA Work-Study Program	9
Guarantee Operations Section Update	9
Origination Services Branch Personnel News	9
Special Allowance Rates	10

Inserts:

- Request for PLUS Loan Credit Pre-Approval
- *Common Manual* Updates
References #302, 319, 357, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 444, 445, 446, 447, 448, 449, 450, 451, 452, and 453

KHEAA does not discriminate on the basis of race, color, national origin, sex, religion, age, or disability in employment or services and provides, upon request, reasonable accommodations to afford individuals with disabilities an equal opportunity to participate in all programs and activities. Printed with state funds KRS 57.375.

Stewart Honored at NCHELP Spring Convention

by Jennifer McKenzie

In June, Jane L. Stewart, KHEAA Director of Federal Relations and Loan Policy Services, was presented the second annual Jean S. Frohlicher Outstanding Service Award at the National Council of Higher Education Loan Programs (NCHELP) spring convention in Long Beach, California.

The award was presented in memory of Jean S. Frohlicher, NCHELP's first Executive Director. Frohlicher had a long and distinguished career in the student financial aid community. Prior to her appointment as Executive Director of NCHELP, she served as Deputy Assistant Commissioner for Legislation in the U.S. Department of Health, Education, and Welfare and Chief Counsel of the Senate's Education Subcommittee under Senator Claiborne Pell. The NCHELP Board of Directors established the award following her death in 1999 to recognize individuals whose efforts and accomplishments are consistent with the standards exemplified by Frohlicher throughout her distinguished career.

In presenting the award, John Frohlicher, husband of the late Mrs. Frohlicher, recognized Jane for a lifetime



Brett Lief (left), president of NCHELP, and John Frohlicher (right), husband of the late Jean S. Frohlicher, present Jane Stewart and Larry Matejka the Jean S. Frohlicher Outstanding Service Award at the NCHELP spring convention.

achievement of leadership in the student loan industry. He cited her work as chairman of several national committees, her service as NCHELP's chief negotiator for the U.S. Department of Education's Negotiated Rulemaking Teams, and her position as the first and only woman in the organization's 30-year history to serve as Chairman of the NCHELP Board of Directors.

Larry E. Matejka, Executive Director of the Illinois Student Assistance Commission, was a co-recipient of the award. Matejka's accomplishments include two terms as Chairman of the NCHELP Board of Directors and Chairman of the Guaranty Agency CEO Caucus.

Kentucky Educational Excellence Scholarship (KEES) Update

by Linda Renschler

Award Utilization

Over 18,200 students who graduated in the spring of 1999 took advantage of their KEES awards for the 1999–2000 academic year, receiving a total of \$8,330,670—an average of \$458 a student. Electronic renewal eligibility files for these students have been sent to participating institutions, with instructions to provide cumulative GPAs by June 30, so KHEAA can determine if the students meet the minimum 2.5 GPA requirement for scholarship renewal in 2000–2001. Staff mailed renewal and denial notices to current KEES recipients in mid-July.

Legislation and Regulations

An amendment to House Bill 462, passed by the 2000 Kentucky General Assembly, permits the use of KEES awards by eligible students attending out-of-state institutions if they are pursuing degrees in programs not available in Kentucky. The Council on Postsecondary Education (CPE) is charged with identifying participating institutions.

At its June 23 meeting, the KHEAA Board of Directors approved Notices of Intent to amend the following KEES regulations, and in the event no public hearings are requested, authorized KHEAA staff to file the proposed regulations and KHEAA's General Counsel to make such changes on behalf of KHEAA as may be necessary to comply with KRS chapter 13A and obtain adoption by the Administrative Regulation Review Subcommittee.

- 11 KAR 15:010 would be amended to add a definition of correspondence study, modify the current definition of an eligible program of study to include out-of-state programs pursuant to statutory changes in Senate Bill 125 and exclude

correspondence study, modify the definition of an eligible student and add a definition of an eligible postsecondary student pursuant to statutory changes in Senate Bill 125, and change "Commonwealth Merit Scholarship" references to "Kentucky Educational Excellence Scholarship" pursuant to House Bill 93.

- 11 KAR 15:020 would be amended to move Section 1 (Initial Eligibility Verification) from 11 KAR 15:050 to this regulation, clarify that KHEAA may obtain test scores directly from testing services to eliminate the burdensome requirement on schools, and change "Commonwealth Merit Scholarship" references to "Kentucky Educational Excellence Scholarship" pursuant to the statutory changes made in House Bill 93.
- 11 KAR 15:030 would be amended to change "Commonwealth Merit Scholarship" references to "Kentucky Educational Excellence Scholarship" and apply the new definition of an eligible postsecondary student pursuant to statutory changes made in House Bill 93 and Senate Bill 125.
- 11 KAR 15:050 would be amended to delete Section 1 (Eligibility Verification) from this regulation and move it to 11 KAR 15:020 under the heading Student Eligibility. This amendment also changes "Commonwealth Merit Scholarship" references to "Kentucky Educational Excellence Scholarship" and applies the new definition of an eligible postsecondary student pursuant to statutory changes made in House Bill 93 and Senate Bill 125.
- 11 KAR 15:070 would be amended to change "Commonwealth Merit Scholarship" references to "Kentucky Educational Excellence Scholarship" and apply the new definition of an eligible postsecondary student to record and report requirements.

High School Students to Receive KEES Award Notices

Thousands of Kentucky high school students will soon receive notices of the KEES awards they have earned to help them pay for college or technical training.

Award amounts are being calculated by KHEAA from information provided by high schools to the Kentucky Department of Education (KDE) regarding students' grade point averages and highest composite ACT (or equivalent SAT) scores achieved prior to graduation. Under the KEES program, students earning at least a 2.5 GPA for school years starting in the 1998–99 academic

year are eligible for a KEES base award. Students who are eligible for base awards can qualify for a bonus award if they have an ACT composite score of 15 or higher. (Students who earn an equivalent score on the SAT also qualify for a bonus award.) Base awards range from \$125 to \$500, and bonus awards from \$36 to \$500.

The maximum award for which this year's high school seniors can qualify is \$1,500—\$500 for a junior-year GPA of 4.0 or above, \$500 for a senior-year GPA of 4.0 or above, and \$500 for an ACT score of 28 or higher. Assuming students maintain their eligibility and full-time enrollment in college, they can apply this amount to each of 8 semesters of higher education expenses within a five-year period (or 10 semesters in an approved five-year program of study).

Students whose information has been provided to KHEAA by KDE can access and view their KEES accounts by visiting KHEAA's Web site www.kheaa.com. Underneath the "KHEAA Online" heading, students should click on "KHEAA Students Online Account Access," followed by a click on "Your KEES Account." Next, they should enter their Social Security number and birth date. The information about their account will then be displayed on screen.

Online Capability

KHEAA is developing an online update process for KEES through which KEES district coordinators and postsecondary institution financial aid officers will be able to update students' KEES accounts via the Web at www.kheaa.com. KHEAA will assign coordinators and financial aid officers a user identification number and a password that will give them access to students' KEES accounts. KHEAA plans to have this update capability in place in mid-August.

KHEAA Origination Services Now Accepts PLUS Loan Credit Pre-Approval Requests by Phone

by Mary Alice Wilkinson

KHEAA Origination Services, on behalf of the lenders participating in these services, is pleased to announce that PLUS applicants may now apply for a preliminary determination of credit eligibility by telephone prior to submitting a Federal PLUS Loan application. Applicants may call Origination Services at (877) 353-8070 to provide the information needed to obtain a credit report. The applicant must also authorize us to release the results of the

preliminary credit determination to the school. A copy of the *Request for PLUS Loan Credit Pre-Approval* is enclosed in this newsletter and may be photocopied to provide to PLUS applicants if they wish to apply for this service via facsimile or mail. The fax number and mailing address are indicated on the form. Any eligible school may participate in this process.

Upon the PLUS applicant contacting KHEAA Origination Services, we obtain and review the credit report and notify the school's financial aid office of the credit determination. We will notify the school whether the applicant is conditionally approved or denied by e-mail or by faxing the credit application we obtain over the phone to the school's financial aid office. If the applicant is conditionally approved, the school may certify a PLUS Loan through its normal certification process. If the applicant is denied, the applicant is notified of such, and the school may certify an unsubsidized Stafford Loan for the student through its normal certification process. This process eliminates the need for the borrower and the school to complete a PLUS Loan application until it is determined the borrower meets credit eligibility. This process also prevents the school from possibly certifying a PLUS Loan and an unsubsidized Stafford Loan in the event the borrower fails to meet the credit criteria.

The pre-approval process is a preliminary determination of credit eligibility only and does not guarantee eligibility for a PLUS Loan. The potential PLUS borrower must still meet all of the requirements of the lender and the guarantor for a PLUS Loan upon submitting a completed PLUS Loan application to KHEAA. The credit determination is valid for only 60 days from the date the credit report is obtained. Therefore, if we fail to receive a certified PLUS Loan application within 60 days, federal regulations require another credit evaluation be performed.

If you have questions about this process, contact Reva Howe at KHEAA Origination Services at (800) 564-6068. PLUS applicants may contact KHEAA Origination Services at the same number if they wish to verify the lending policy criteria of any of the lenders using KHEAA Origination Services.

Listed below are lenders making PLUS Loans through KHEAA Origination Services and the address to which applications should be mailed.

AmSouth Bank
P.O. Box 4225
Frankfort, KY 40604-4225
Lender # 810612

AmSouth Bank
P.O. Box 4609
Frankfort, KY 40604-4609
Lender # 814108

Bank of Louisville
P.O. Box 4310
Frankfort, KY 40604-4310
Lender # 804283

Bank One Education Finance Group
P.O. Box 4230
Frankfort, KY 40604-4230
Lender # 821087

Chase Manhattan Bank
P.O. Box 4267
Frankfort, KY 40604-4267
Lender # 807807

edsouth
P.O. Box 4270
Frankfort, KY 40604-4270
Lender # 831453

Fifth Third Bank
P.O. Box 4190
Frankfort, KY 40604-4190
Lender # 808780

Firststar Bank
P.O. Box 4206
Frankfort, KY 40604-4206
Lender # 808628

Kentucky Higher Education Student Loan Corporation
P.O. Box 4250
Frankfort, KY 40604-4250
Lender # 826688

National City Bank
P.O. Box 4266
Frankfort, KY 40604-4266
Lender # 804959

PNC Bank
P.O. Box 4170
Frankfort, KY 40604-4170
Lender # 809921

The Provident Bank
P.O. Box 4228
Frankfort, KY 40604-4228
Lender # 808923

Student Loan Funding
P.O. Box 4594
Frankfort, KY 40604-4594
Lender # 831455

Union Planters National Bank
P.O. Box 4125
Frankfort, KY 40604-4125
Lender # 810698

Early Childhood Development Scholarship

by Linda Renschler

House Bill 706, passed by the 2000 Kentucky General Assembly, creates an Early Childhood Development Scholarship to be administered by KHEAA. To the extent funds are available, the nonrepayable tuition scholarships will be awarded to Kentucky students who are pursuing an AA, AAS, or BS degree in early childhood or who are seeking the Kentucky Early Childhood Development Trainer's Certificate, the Kentucky Early Childhood Development Director's Certificate, or the Child Development Associate's credential at participating accredited institutions. Eligibility for this scholarship is limited to individuals who do not have access to professional development funds from other education programs that receive federal or state funds and who are employed at least 20 hours a week providing services in a child-care or early childhood setting.

After consulting with representatives of the Office of Early Childhood Development and the Cabinet for Families and Children, KHEAA proposed, and the Board of Directors approved, notices of intent to promulgate proposed regulations for the program at its June 23 meeting. KHEAA intends to propose regulations regarding definitions (11 KAR 16:001), applicant selection (11 KAR 16:010), disbursements (11 KAR 16:020), overawards and refunds (11 KAR 16:030), records (11 KAR 16:040), administrative costs (11 KAR 16:050), and monetary incentives (11 KAR 16:060).

Common Manual Updates

by David Rayborn

Enclosed as inserts to this edition of the *KHEAA Newsletter* are several *Common Manual* policy updates. These bulletins include reference numbers 302, 319, 357, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430,

431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 444, 445, 446, 447, 448, 449, 450, 451, 452, and 453.

If you have questions regarding these updates or need additional copies, call the Policy and Client Services Branch at (502) 696-7274 or (800) 928-8926, extension 7274.

Interest Rate Calculations for July 1, 2000–June 30, 2001

by Shirley Young and David Rayborn

I. Federal Stafford Variable Interest Rates

The final auction of 91-day Treasury Bills held prior to June 1 produced a bond equivalent rate of **5.89%**.

A. “Converted” variable-rate Federal Stafford Loans

- These are Federal Stafford Loans originally made as fixed-rate 8/10% loans subject to the “windfall profits” provisions that have been converted to variable interest rates. The variable interest rate for these loans is capped at 10%.

5.89% plus 3.25% equals **9.14%** for the period July 1, 2000–June 30, 2001.

- The 7%, 8%, 9%, and 8/10% loans that were subject to the windfall profits provisions have been converted to a variable interest rate.

5.89% plus 3.1% equals **8.99%** for the period July 1, 2000–June 30, 2001.

Because the variable interest rate for these loans is capped at the original fixed interest rate of 7%, 8%, 9%, or 10% (converted 8/10% loans which have reached the 49th month of the repayment period), the following rates apply for the period of July 1, 2000–June 30, 2001.

<i>Original Interest Rate</i>	<i>Variable Interest Rate</i>
7%	7.00%
8%	8.00%
9%	8.99%
10%	8.99%

B. Regular variable-rate Federal Stafford Loans

- Federal Stafford Loans made to “new” borrowers for which the first disbursement is made on/after 10/1/92 but prior to 7/1/94 or on/after 7/1/94 for a period of enrollment ending prior to 7/1/94 (i.e., a late disbursement) have a variable interest rate cap of 9%.

5.89% plus 3.1% equals **8.99%** for the period July 1, 2000–June 30, 2001.

- Federal Stafford Loans made to all borrowers, regardless of prior borrowing, for periods of enrollment that include or begin on/after 7/1/94 for which the first disbursement is made on/after 7/1/94 but prior to 7/1/95 are capped at 8.25%.

5.89% plus 3.1% equals 8.99%. The interest rate for these loans is **8.25%** (due to cap) for the period July 1, 2000–June 30, 2001.

- Federal Stafford Loans made to all borrowers, regardless of prior borrowing, on/after 7/1/95 but prior to 7/1/98 are capped at 8.25%.

1. During the in-school, grace, and deferment periods, 5.89% plus 2.5% equals 8.39%. The interest rate for these loans is **8.25%** (due to cap) for the period July 1, 2000–June 30, 2001.

2. During the repayment period (except deferment periods), 5.89% plus 3.1% equals 8.99%. The interest rate for these loans is **8.25%** (due to cap) for the period July 1, 2000–June 30, 2001.

- Federal Stafford Loans made to all borrowers, regardless of prior borrowing, on/after 7/1/98 and before 7/1/2003 are capped at 8.25%.

1. During the in-school, grace, and deferment periods, 5.89% plus 1.7% equals **7.59%** for the period July 1, 2000–June 30, 2001.

2. During the repayment period (except deferment periods), 5.89% plus 2.3% equals **8.19%** for the period July 1, 2000–June 30, 2001.

II. Federal PLUS and Federal SLS Variable Interest Rates

The final auction of 52-week Treasury Bills held prior to June 1 produced a bond equivalent rate of **6.38%**.

A. Variable-rate Federal PLUS and Federal SLS Loans made prior to 10/1/92 (variable interest rate cap of 12%)

6.38% plus 3.25% equals **9.63%** for the period July 1, 2000–June 30, 2001.

NOTE: Because the variable interest rate formula produces a figure that is less than 12%, variable-rate PLUS/SLS Loans will not be subject to special allowance payments during the four quarters ending 9/30/2000, 12/31/2000, 3/31/2001, and 6/30/2001.

B. Federal PLUS Loans made on/after 10/1/92 but prior to 7/1/94 (variable interest rate cap of 10%); and Federal SLS Loans made on/after 10/1/92 for a period of enrollment beginning prior to 7/1/94 (variable interest rate cap of 11%)

6.38% plus 3.1% equals **9.48%** for the period July 1, 2000–June 30, 2001.

Federal PLUS Loans made on/after 7/1/94 but prior to 7/1/98 (variable interest rate cap of 9%)

6.38% plus 3.1% equals 9.48%. The interest rate for these loans is **9%** (due to cap) for the period July 1, 2000–June 30, 2001.

NOTE: Because the variable interest rate formula produces a figure that is less than 10% (Federal PLUS) and 11% (Federal SLS), variable-rate PLUS Loans made on/after 10/1/92 but prior to 7/1/94 and all SLS Loans made on/after 10/1/92 will not be subject to special allowance payments during the four quarters ending 9/30/2000, 12/31/2000, 3/31/2001, and 6/30/2001.

C. Federal PLUS Loans made on/after 7/1/98, but prior to 7/1/2003 (variable interest rate based on the 91-day Treasury Bills and capped at 9%)

5.89% plus 3.1% equals **8.99%** for the period July 1, 2000–June 30, 2001.

NOTE: Because the variable interest rate formula produces a figure that is less than 9%, variable-rate PLUS Loans made on/after 7/1/98 but before 7/1/2003 will not be subject to special allowance payments during the four quarters ending 9/30/2000, 12/31/2000, 3/31/2001, and 6/30/2001.

III. Federal Consolidation Loan Interest Rates

A. Federal Consolidation Loans for which the loan application was received by an eligible lender on/after 11/13/97 but before 10/1/98 (variable interest rate based on the 91-day Treasury Bills and capped at 8.25%)

5.89% plus 3.1% equals 8.99%. The interest rate for these loans is **8.25%** (due to cap) for the period July 1, 2000–June 30, 2001.

B. Federal Consolidation Loans made before 7/1/94

The interest rate is the weighted average of the interest rates on the loans consolidated, rounded to the nearest whole percent, but may not be less than 9%.

C. Federal Consolidation Loans made on/after 7/1/94 for which the loan application was received by an eligible lender before 11/13/97

The interest rate is the weighted average of the interest rates on the loans consolidated, rounded upward to the nearest whole percent.

D. Federal Consolidation Loans for which the loan application was received by an eligible lender on/after 10/1/98 but before 7/1/2003

The interest rate is the weighted average of the interest rates on the loans being consolidated, rounded to the nearest higher 1/8 of one percent. The interest rate may not exceed the maximum rate of 8.25%.

KHEAA Publications to be Distributed in August

by Lori Powers

The 2000–2001 editions of KHEAA's major publications, including *Affording Higher Education* and the Kentucky and Alabama editions of *Getting In*, have recently been printed. Staff are now preparing for distribution, which

should be complete by the end of August. KHEAA publications are also available on KHEAA's Web site www.kheaa.com.

KHEAA Default Aversion Assistance Time Frames

by Karen Haney

You may have noticed that the Default Aversion Assistance (DAA) Time Frame Chart was not included in Chapter 8 or ^{CC}Chapter 8 of the *Common Manual* dated July 2000. The *Common Manual* has been working to update and improve this chart for several months and is in the final stages of getting it ready to publish. The improvements to the chart are significant, bringing all guaranty agencies closer and closer to consensus on these time frames.

KHEAA plans to publish the revised DAA Time Frame Chart when it becomes available, but in the meantime, we would like to ensure that there is no ambiguity concerning KHEAA's Default Aversion Assistance Time Frames. Listed below are KHEAA's time frames effective as of July 1, 2000.

DAA Cancellation Date

If the delinquency date falls on or below 30 days of delinquency, the lender must notify KHEAA to cancel the DAA request.

Skip Tracing Assistance

Lenders may request skip tracing assistance from KHEAA throughout the life of the loan.

Deadline for Refiling Rejected DAA Request

KHEAA does not have a deadline for lenders to refile a DAA request that was originally filed timely (within the 60- to 120-day period) but was rejected. However, a corrected DAA request must be resubmitted before a subsequent claim is reviewed. Resubmissions that occur later than this deadline are subject to interest penalties described in Appendix D of 34 CFR 682.

Updating the DAA Delinquency Date

Lenders must notify KHEAA of any change in the delinquency status of a loan, even if the delinquency is not reduced below the point at which the DAA request would be canceled.

If you have any questions or need additional information, contact Karen Haney, Claims Aversion and Processing Branch Manager, at (502) 696-7232 or khaney@kheaa.com.

Student Loans

by Blake Tanner

KHEAA's guarantee volume through June 30 was 31% higher than the same period in the previous fiscal year with a volume of \$450 million. KHEAA does not charge an insurance fee, preferring to allow students to use more of the loan funds for higher education purposes. This waiver of the insurance fee has saved students nearly \$17 million since it began in August 1996.

Online Disbursement Maintenance Processing for Lenders

by Robin Buchholz

Lenders who access KLASsm will now have the ability to do disbursement maintenance online. With the online process, lenders will be able to cancel, partially cancel, refund, increase, and reinstate disbursements before and after disbursement. The lender will no longer have to contact KHEAA with these types of changes, and KLASsm will be updated immediately. Schools will have similar capability in the very near future.

Lenders wishing to utilize the new online disbursement maintenance processes should contact Ruth Sweetman at reigel@kheaa.com or (800) 617-2699, extension 7248. Ruth will coordinate the online maintenance setup and training for each lender interested in using the new process.

Master Promissory Note (MPN) Required for Stafford Loan Processing

Just a reminder that the Federal Stafford Loan Master Promissory Note is required for all Stafford Loan borrowers for academic periods that begin on or after July 1, 2000, and for loans certified on or after July 1, 2000. The MPN replaces the previous Federal Stafford Loan Application and Promissory Note.

Any lenders or schools providing promissory notes for student loans should use the MPN. If you need copies of the MPN sent to your institution, you may call a KHEAA customer service representative at (800) 928-8926.

Common Account Maintenance and Lender Manifest Reporting

by Janis Eddington

KHEAA is pleased to announce the implementation of the Common Account Maintenance (CAM) process for Lender Manifest Reporting. Programming has been established for the following records, and internal testing has been completed.

Record Type 01:	Header
Record Type 02:	Identifier Data
Record Type 03:	Identifier Data Change
Record Type 04:	Enrollment Status Data
Record Type 05:	Address/Phone Change
Record Type 15:	Loan Status Change
Record Type 16:	Lender/Servicer Change
Record Type 26:	Principal and Accrued Interest Balance
Record Type 96:	Record Totals, Series One
Record Type 99:	Trailer

We are establishing external tests and encourage lenders and servicers to contact us regarding any questions. Prior to conversion to the CAM process in a production environment, we ask that each lender/servicer exchange test files with us. We are accepting files via POP3, Advantis, Web, and cartridges. We are currently in the process of establishing FTP capabilities and anticipate that transmission method will be available in the late fall.

To establish exchange of CAM test for Lender Manifest Reporting, contact Janis Eddington at (502) 696-7212 or jeddington@kheaa.com.

Kentucky Education Savings Plan Trust

by Jo Carole Ellis

The Kentucky Education Savings Plan Trust (KESPT), with oversight by the KHEAA Board of Directors, helps families save, in a planned way, for a child's higher education. House Bill 462 lifted the restrictions that participation may not begin after the child turns 15 years of age and that accounts be used or closed when the child turns age 18. These changes will allow Kentuckians to begin saving for a child's higher education and use their savings at any time regardless of age.

KESPT participants can now access account information 24 hours a day, 7 days a week through the new automated telephone service (ATS) and online account service. Through the ATS, participants can check current bal-

ances, unit prices, and transaction history and make additional contributions. Through the online account service, participants can view their current account balance and transaction history, request duplicate statements, and make additional contributions. The ATS can be accessed by calling the Trust toll-free number (877) 598-7878, and the online service can be accessed by logging onto the KESPT Web site www.kentuckytrust.org.

Representatives of TIAA-CREF Tuition Financing, Inc., (TFI) visited KHEAA on June 15 to discuss issues regarding KESPT. TFI began providing administrative, marketing, and investment services to KESPT in October 1999. Topics included program statistics since October, investment performance, new investment options, and marketing initiatives. As of May 31, the program had 2,749 accounts, \$10,682,536 in assets, and an average account size of \$3,885. The net new number of accounts opened from January 1 through May 31, 2000, is 203 (net includes accounts depleted or cancelled for the 5½-month period). From October 16, 1999, through March 31, 2000, the return for the KESPT's most conservative age band (for beneficiaries age 16 and up) was 5.5%, and the return for the most aggressive age band (beneficiaries age 2 and under) was 24.9%.

KESPT has partnered with the Louisville Science Center to sponsor the Atoms Family exhibit at the science center from June through September. The Atoms Family exhibit uses famous monsters to demonstrate the power of the atom. A Full Moon Party was held at the science center on June 16, 5–9 p.m., to introduce the exhibit. KESPT information was distributed to all those who attended and will be given to all who attend the exhibit through September.

Commonwealth Prepaid Tuition Trust Fund

by Jo Carole Ellis

The Prepaid College Tuition Plan was established and will be implemented in 2001 by the Kentucky State Treasurer's Office. For more information, visit the Kentucky State Treasury Web site www.kytreasury.com. Under the bill establishing the prepaid program, administration of the fund will be transferred to KHEAA after four years unless the legislature decides the program should remain in the Treasurer's Office.

State Grants

by Linda Renschler

KHEAA planned to make College Access Program (CAP) Grant and Kentucky Tuition Grant (KTG) offers to eligible applicants for the 2000–2001 academic year through mid-August. Through June 30, KHEAA had made CAP Grant offers to 37,000 students and KTG offers to 12,200 students.

KHEAA Work-Study Program

by Linda Renschler

Fourteen institutions have signed agreements to participate in the KHEAA Work-Study Program during FY2001. Although KHEAA requested General Funds for FY2001 and FY2002, it was authorized, instead, to spend Agency Funds for this program. Funds totaling \$870,440 were allocated to the institutions based on anticipated available funding and actual utilization by the institutions in FY1999 and estimated utilization in FY2000.

Guarantee Operations Section Update

by Robin Buchholz

To offer our customers the best service possible, the Guarantee Operations Section has added additional staff and centralized change processing. Robin Buchholz is the Guarantee Operations Section Supervisor. There are currently eight administrative staff and three clerical staff in Guarantee Operations. Two additional administrative staff and one clerical staff will join the section within the next month.

Jennifer Long, Sherry Phillips, Wendi Dailey, and Angie McCoy assist schools, lenders, and students with application processing issues. For application processing assistance, schools and lenders may call (800) 617-2699 (School/Lender Toll-Free Hot Line). This toll-free number is for schools and lenders only. Students may call (800) 928-8926. Heather Boutell, who previously worked in this area, left KHEAA to become Assistant Director of Financial Aid at Bellarmine College. We wish Heather the best of luck in her new position.

All change processing at KHEAA has been centralized in the Guarantee Operations Section. We created a change processing group within the section whose primary responsibility is to assist schools and lenders with change processing issues and to process all change requests received by KHEAA. The change processing group includes Ruth Sweetman, Marty Haggard, Anna Hubbard,

and Becky Kiper. Angie McCoy also assists with change processing requests. For change processing issues, schools and lenders may call (800) 617-2699 (School/Lender Toll-Free Hot Line).

Requests for brochures, other publications, or notes can be directed to the same School/Lender Toll-Free Hot Line. Crystal Casey, Earlene Allen, and Gerri Bowman will be glad to assist you with any requests.

We hope you will take the time to get to know the KHEAA Guarantee Operations staff who are here to serve you.

Origination Services Branch Personnel News

by Mary Alice Wilkinson

Debra L. Smith joined the KHEAA Origination Services Branch as Student Financial Assistance Advisor on May 1. She is responsible for supervising the daily operations conducted by the branch. Debra brings 19 years of financial aid experience with her as she previously served as Union College's Financial Aid Director.

Jill Carney has transferred from the Origination Services Branch to the Claims Aversion and Processing Branch, where she serves as Student Financial Assistance Advisor. Jill's phone number is (502) 696-7265, and her e-mail address is jcarney@kheaa.com.

Dana Case has been promoted to Student Financial Assistance Program Coordinator and has the duties formerly assigned to Jill Carney. Dana is the technical contact for the branch.

Tasha Sutherland and MiMi Mitchell have both been promoted to Administrative Specialist II and will assist in processing Federal Stafford Loans.

Katie Sewell began employment on July 19 as Clerical Assistant. Katie will assist Melinda Smith taking PLUS pre-approval applications via the toll-free phone number (877) 353-8070.

Holly True joined the branch on August 1 as Student Loan Program Reviewer I and is responsible for processing Stafford Loans. Holly has 11 years of banking experience in processing installment loans and disbursing funds.

Listed below are the Origination Services Branch staff and their responsibilities and e-mail addresses:

Mary Alice Wilkinson, Branch

Manager mawilkinson@kheaa.com

Debra Smith, Advisor dsmith@kheaa.com

Stafford Loan Processing

Christy Perkins cperkins@kheaa.com

Doug Briscoe dbriscoe@kheaa.com

Holly True htrue@kheaa.com

MiMi Mitchell mmitchell@kheaa.com

Tasha Sutherland tsutherland@kheaa.com

Disbursement Processing

Kathy Sallee ksallee@kheaa.com

PLUS Loan Processing

Reva Howe rhowe@kheaa.com

PLUS Pre-Approvals

Melinda Smith msmith@kheaa.com

Katie Sewell ksewell@kheaa.com

Technical Support

Dana Case dcase@kheaa.com

All of these employees may be reached at (800) 564-6068.

Special Allowance Rates

for the quarter ending June 30, 2000

The average of the bond equivalent rates of the 91-day Treasury Bills auctioned during the quarter ending June 30, 2000, is 5.94%. Loans from the following categories are eligible for special allowance as shown for the quarter ending June 30, 2000.

For loans made prior to 10/1/81:

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7%	.0250	.006250
9%	.0050	.001250

- For:
- Federal Stafford Loans (subsidized) and fixed-rate Federal PLUS Loans made on or after 10/1/81 but prior to 10/17/86.
 - Federal Stafford Loans (subsidized) and fixed-rate Federal PLUS Loans made on or after 10/17/86 but prior to 11/16/86 for periods of enrollment beginning prior to 11/16/86.
 - Federal Consolidation Loans made on or after 10/1/81 but prior to 11/16/86.

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7%	.0244	.006100
8%	.0144	.003600
9%	.0044	.001100
12%	.0000	.000000
14%	.0000	.000000

- For:
- Federal Stafford Loans (subsidized) and fixed-rate Federal PLUS/SLS Loans made on or after 10/17/86 but prior to 11/16/86 for periods of enrollment beginning on or after 11/16/86.
 - Federal Stafford Loans (subsidized) made on or after 11/16/86 but prior to 10/1/92.
 - Federal Stafford Loans (unsubsidized, made pursuant to §428H of the Act) made prior to 10/1/92 for periods of enrollment beginning on or after 10/1/92.
 - Fixed-rate Federal PLUS/SLS Loans made on or after 11/16/86 but prior to 7/1/87.
 - Variable-rate Federal PLUS/SLS Loans made on or after 7/1/87 but prior to 10/1/92, *only* if the variable rate for each July 1–June 30 period reaches the statutory maximum of 12%.
 - Federal Consolidation Loans made on or after 11/16/86 but prior to 10/1/92.

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7.00%	.0219	.005475
7.72%	.0147	.003675
7.87%	.0132	.003300
8.00%	.0119	.002975
9.00%	.0019	.000475
10.00%	.0000	.000000
11.00%	.0000	.000000
12.00%	.0000	.000000
13.00%	.0000	.000000
14.00%	.0000	.000000

- For:
- Federal Stafford Loans (subsidized) made on or after 10/1/92 but prior to 7/1/95.
 - Federal Stafford Loans (unsubsidized) made on or after 10/1/92 but prior to 7/1/95 for periods of enrollment beginning on or after 10/1/92.
 - Federal Stafford Loans (subsidized and unsubsidized) made on or after 7/1/95 but prior to 7/1/98, *except* during the in-school, grace, and deferment periods.
 - Variable-rate Federal PLUS/SLS Loans made on or after 10/1/92 but prior to 7/1/94, *only* if the variable rate for each July 1–June 30 period reaches the statutory maximum of 11% (SLS) or 10% (PLUS).
 - Variable-rate Federal PLUS Loans made on or after 7/1/94 but prior to 7/1/98.
 - Variable-rate Federal PLUS Loans made on or after 7/1/98 but prior to 1/1/00 (special allowance shall not be paid unless the calculated interest rate exceeds the 9% cap).
 - Federal Consolidation Loans made on or after 10/1/92 but prior to 1/1/00.

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
6.00%	.0304	.007600
7.00%	.0204	.005100
7.72%	.0132	.003300
7.98%	.0106	.002650
8.00%	.0104	.002600
9.00%	.0004	.000100
10.00%	.0000	.000000
11.00%	.0000	.000000
12.00%	.0000	.000000
13.00%	.0000	.000000
14.00%	.0000	.000000

For:	• Federal Stafford Loans (subsidized and unsubsidized) made on or after 7/1/95 but prior to 7/1/98, <i>only</i> during the in-school, grace, and deferment periods:		
	Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
	7.12%	.0132	.003300
For:	• Federal Stafford Loans (subsidized and unsubsidized) made on or after 7/1/98 but prior to 1/1/00, <i>only</i> during the in-school, grace, and deferment periods:		
	Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
	6.32%	.0182	.004550
For:	• Federal Stafford Loans (subsidized and unsubsidized) made on or after 7/1/98 but prior to 1/1/00, <i>except</i> during the in-school, grace, and deferment periods:		
	Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
	6.92%	.0182	.004550

The average of the bond equivalent rates of the quotes of the three-month commercial paper (financial) rates in effect for each of the days in the quarter ending June 30, 2000, is 6.66%. Loans from the following categories are eligible for special allowance as shown for the quarter ending June 30, 2000.

For:	• Federal Stafford Loans (subsidized and unsubsidized) made on or after 1/1/00 but prior to 7/1/03, <i>only</i> during the in-school, grace, and deferment periods.		
	Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-month Period
	6.32%	.0208	.005200
For:	• Federal Stafford Loans (subsidized and unsubsidized) made on or after 1/1/00 but prior to 7/1/03, <i>except</i> during the in-school, grace, and deferment periods.		
	Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-month Period
	6.92%	.0208	.005200
For:	• Federal PLUS Loans made on or after 1/1/00 but prior to 7/1/03 (special allowance shall not be paid unless the calculated interest rate exceeds the 9% cap). • Federal Consolidation Loans for applications received on or after 1/1/00 but prior to 7/1/03.		
	Note: The current interest rate for Federal PLUS Loans is 7.72%. Since this rate does not exceed the 9% cap, no special allowance will be paid during the period 7/1/99 through 6/30/00.		